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FOR IMMEDIATE RELEASE  
April 5, 2005

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**U.S. INDICTS TWO MEN FOR FRAUDULENT SCHEME  
INVOLVING HAWAIIAN AIRLINES' BANKRUPTCY**

DAVID N. KELLEY, the United States Attorney for the Southern District of New York, announced the filing yesterday in Manhattan federal court of an Indictment charging PAUL BOGHOSIAN and WILLIAM H. SPENCER with conspiracy relating to a fraudulent scheme involving the bankruptcy proceedings for Hawaiian Airlines, Inc. ("HAL"). BOGHOSIAN was also indicted on two additional counts charging him with commercial bribery in connection with the bankruptcy fraud scheme.

HAL filed for Chapter 11 bankruptcy in 2003 in the United States Bankruptcy Court for the District of Hawaii (the "Bankruptcy Court"). According to the Indictment, BOGHOSIAN controls Hawaiian Investment Partners Group LLC ("HIP"), an entity which has submitted one of two competing groups who have submitted reorganization plans for HAL in the Bankruptcy Court. The Indictment alleges that SPENCER, in his capacity as a trustee for the E&M Trust, submitted an affidavit in support of the HIP Plan. As charged in the Indictment, BOGHOSIAN and SPENCER made a number of misrepresentations to the Bankruptcy Court, among others, regarding HIP's ability to provide approximately \$300

million in new equity funding and financing in order to carry out HIP's reorganization plan for HAL.

In addition, the Indictment charges that BOGHOSIAN, in order to obtain funding to continue efforts to get the HIP reorganization plan approved by the Bankruptcy Court, agreed to pay a bribe of approximately \$500,000 to an FBI undercover agent (the "UC"), who portrayed himself as a hedge fund manager, in return for a loan of approximately \$2.5 million from the UC's hedge fund.

According to Bankruptcy Court filings, in a disclosure statement filed with the Bankruptcy Court on November 11, 2004, BOGHOSIAN and other HIP Plan proponents made certain financial projections regarding their reorganization plan and indicated that HIP would provide at least approximately \$200 million in new equity funding to HAL, and that HIP had obtained a commitment for an additional approximately \$100 million line of credit for HAL. As proof of HIP's funding, BOGHOSIAN and SPENCER allegedly submitted affidavits to the Bankruptcy Court indicating that BOGHOSIAN had immediate and exclusive access to approximately \$500 million from the E&M Trust. As further proof of the E&M Trust's financial resources, SPENCER allegedly submitted certain documents to the Bankruptcy Court which purported to reflect cash balances in accounts controlled by the E&M Trust.

The Indictment charges that, beginning in or about January 2005, BOGHOSIAN solicited funds from the UC's hedge fund, requesting approximately \$2 million in "mobilization funds" to cover, among other things, legal expenses related to the HAL

reorganization. BOGHOSIAN allegedly informed the UC that BOGHOSIAN had commitments for additional funding, but that the funds had not been transmitted. Later, the Indictment alleges, BOGHOSIAN inquired whether the UC's hedge fund would provide the approximately \$200 million in equity funding required for the HIP Plan.

According to the Indictment, on or about February 21, 2005, the UC and BOGHOSIAN met in Manhattan. During that meeting, the Indictment alleges that the UC told BOGHOSIAN, in substance, that in order to induce the UC to cause his hedge fund to make a loan, the UC wanted a kickback of approximately \$500,000 from the loan proceeds. The Indictment alleges that BOGHOSIAN agreed, and proposed, in an effort to conceal the bribe, that the funds be transmitted to BOGHOSIAN following execution of a promissory note. Later that same day, SPENCER, on behalf of the E&M Trust, executed a promissory note for approximately \$2.5 million in favor of the UC's hedge fund.

The Indictment also alleges that on or about March 3, 2005, SPENCER was deposed and falsely testified, among other things, that the E&M Trust had access to approximately \$500 million to fund the HIP Plan.

The Indictment further alleges that on or about March 4, 2005, BOGHOSIAN was deposed and falsely testified, among other things, that: he had not solicited any additional investment in connection with HAL since in or about September 2003; the UC's hedge fund had approached him about investing; he received an offer from the UC's hedge fund for investment in connection with

HAL, and accepted it although he already had all of his necessary commitments in place; there were no terms relating to the investment by the UC's hedge fund other than those contained in the promissory note; and the approximately \$2.5 million from the UC's hedge fund was available to him on request, but that BOGHOSIAN had not drawn on it because he did not currently require the funds.

The Indictment was filed in three counts. Count One charges BOGHOSIAN and SPENCER with conspiracy to commit bankruptcy fraud, and Counts Two and Three charge BOGHOSIAN with commercial bribery. Each count carries a maximum penalty of 5 years in prison.

BOGHOSIAN, 50, resides in St. Louis, Missouri.

SPENCER, 74, resides in Concord, California.

Mr. KELLEY praised the efforts of the Federal Bureau of Investigation for their investigation of this case. Mr. KELLEY also thanked the Honolulu Office of the United States Trustee for its assistance.

Assistant United States Attorney RAYMOND LOHIER and Special Assistant United States Attorney WILLIAM J. STELLMACH are in charge of the prosecution.

The charges contained in the Indictment are merely accusations and the defendants are presumed innocent unless and until proven guilty.

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